

Article - Health - General

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§24–606.

(a) In accordance with this section, the State:

(1) Shall have the right to recover funds disbursed under this subtitle; and

(2) May not:

(i) Recover funds disbursed under this subtitle from the federal government if the federal government is the lessor of real property on which a project is constructed or a facility is operated; or

(ii) Create a lien against real property that is leased from the federal government on which a project is constructed or a facility is operated.

(b) Subject to subsection (a)(2) of this section, in the event of failure to complete a project or failure to commence operation of a facility, the State may recover from the recipient of the funds disbursed for the project or facility or the owner of the property an amount equal to the amount of State funds disbursed for the project, together with all costs and reasonable attorneys' fees incurred by the State in the recovery proceedings.

(c) Subject to subsection (a)(2) of this section, if, within 30 years after completion of a project, a community mental health facility, addiction facility, or developmental disabilities facility with respect to which funds have been paid under this subtitle is sold or transferred to any person, agency, or organization that would not qualify as an applicant under this subtitle, or that is not approved as a transferee by the Board of Public Works, or if, within the same period, a community mental health facility, addiction facility, or developmental disabilities facility ceases to be a "facility" as defined in this subtitle, then the State may recover from either the transferor or transferee or, in the case of a community mental health facility, addiction facility, or developmental disabilities facility that has ceased to be a "facility" as defined in this subtitle, from the owner, an amount bearing the same ratio to the then current fair market value of so much of the property as constituted an approved project as the amount of the State participation bore to the total eligible cost of the approved project, together with all costs and reasonable attorneys' fees incurred by the State in the recovery proceedings.

(d) (1) The Department shall cause notice of the State's right of recovery to be recorded in the land records of the county or Baltimore City in which the property is located before the State makes any funds available for the approved project.

(2) The recording of the notice shall not create any lien against the property; however, subject to subsection (a)(2) of this section, it shall constitute notice to any potential transferee, potential creditor, or other interested party of the possibility that the State may obtain a lien under this subtitle.

(e) (1) In the event of a failure to complete the project or commence operations of the facility as described in subsection (b) of this section, or in the event of an alleged sale or transfer as described in subsection (c) of this section, or in the event that a property is alleged to have ceased to be a "facility" as defined in this subtitle, the Secretary of the Board of Public Works may authorize the Department to file, in the circuit court of the county or Baltimore City in which the property is located, a claim under this subtitle (styled as a civil action against the owner of the property and any other interested parties, including any transferor that the State wishes to make a party), together with a sworn affidavit stating facts on which the allegations of default are based, as well as a detailed justification of the amount claimed.

(2) If the circuit court determines from the State's initial filing that there is probable cause to believe that a default has occurred, the court shall authorize a temporary lien on the property, in the amount of the State's claim, plus any additional amount estimated to be necessary to cover the costs and reasonable attorney's fees incurred by the State, or other amounts as the court determines to be reasonable, pending full determination of the State's claim.

(3) The temporary lien takes effect on the date of the court's authorization if the State records a notice of temporary lien in the land records of the county or Baltimore City in which the property is located within 10 days thereafter; otherwise, the temporary lien takes effect on the date a notice of temporary lien is recorded. While the temporary lien is in effect, neither the owner nor any person who acquired an interest in the property after the State first made funds available in connection with the property under this subtitle may take any action that would affect the title to the property or institute any proceedings to enforce a security interest or other similar rights in the property, without the prior written consent of the State.

(4) The owner of the property or any other interested party may obtain release of this temporary lien at any time by filing with the court a bond securing the payment in full of the State's claim any additional amount necessary to

cover the costs and reasonable attorneys' fees incurred by the State. The owner or other interested party may cause the release to be recorded in the land records.

(f) (1) Proceedings to determine the State's right to recover and the amount of its recovery under this subtitle shall have priority over other civil proceedings in the circuit courts.

(2) At the conclusion of full adversary proceedings on the issue of default and on any disputes over the amount of the State's recovery, the circuit court shall, if it finds that a default has occurred, issue a final judgment for the amount it finds to be recoverable by the State. All parties involved in the default, including in every case the owner of the property, shall be held jointly and severally liable to the State for the amount of the judgment. This amount, if it remains unpaid after the expiration of 30 days following the court's final order, shall be a lien on the property, superior (except as the State may by written subordination agreement provide otherwise) to the lien or other interest of any mortgagee, pledgee, purchaser, or judgment creditor whose interest became perfected against third persons after the State first made funds available in connection with the property under this subtitle.

(3) This lien takes effect on the 31st day following the court's final order if the State records a notice of lien in the land records of the county or Baltimore City in which the property is located on or before the 41st day following the final order; otherwise, the lien takes effect on the date a notice of lien is recorded. At the time this lien takes effect, any temporary lien then in effect shall be automatically and fully released, and the recorded notice of this lien shall constitute notice of the release of the temporary lien.

(4) This lien may be enforced and foreclosed in accordance with the procedures prescribed in the Maryland Rules, except that neither the State nor any agent appointed by the State to sell the property need file a bond.

(5) The owner or any other interested party may obtain release of this lien at any time by paying the State the full amount of the judgment rendered by the circuit court, together with interest from the date of judgment. On payment in full, the State shall cause a release to be recorded in the land records.

(6) If the circuit court finds that there has been no default or if the full amount of the court's judgment is paid to the State within 30 days after the court's final order, any temporary lien then in effect shall be released immediately and the State shall cause a release to be recorded in the land records.

(g) (1) All funds recovered as a result of the State's right of recovery shall be deposited in the Annuity Bond Fund and applied to the debt service requirements of the State.

(2) The Board of Public Works may waive the State's right of recovery if the Board determines that there is good cause for releasing the transferor, transferee, or owner from this obligation.

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